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SUBJECT: GAZA'S BUSINESS COMMUNITY: FED UP WITH POLITICS,
AND TAKING THE LONG VIEW

REF: JERUSALEM 889

Classified By: Consul General Daniel Rubinstein for reasons 1.4 b and d
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11. (C) Summary. Gazans are broadly disgusted with political parties (both Hamas and Fatah) and are focused on day-to-day issues of survival, according to Post contacts in Gaza's business community, who remain confident in the resourcefulness and resilience of the business culture in Gaza. The need for private sector jobs, particularly in the construction, textile and IT sectors, is dire. End summary.

A Rare Chance to Meet Face-to-Face

12. (C) On December 17, ConGen officers held a series of meetings with businessmen Maamon Khozendar (CEO, Khozendar Industries), Dr. Mahmoud Khozendar (President, Petroleum and Gas Station Owners' Association; medical doctor at Al Shifa Hospital), and Tarek Eslim (CEO, Altario; Vice Chairman, Palestinian IT Association). All three are long-standing ConGen contacts, who were visiting Jerusalem from Gaza on permits to facilitate visa interviews. All three held to the view that in the long run business culture will eventually prevail over political ideology in Gaza. They also expressed their faith in the long commercial history of the Gaza Strip and cited several areas where the economy could immediately be revived: construction, textiles and information technology. Note: Permits for the businessmen's exit were supported by efforts from Embassy Tel Aviv and required a ConGen officer to escort the individuals to/from the Erez crossing between the Gaza Strip and Israel. Mahmoud Khozendar told EconOff that he had not been to Jerusalem in five years and, especially not knowing when he would return, greatly valued the chance to pray at Al-Aqsa mosque. End Note.

Politics of Despair

13. (C) All three expressed disdain for Palestinian political leadership, both Hamas and Fatah. Maamon referred to both groups as "princes of chaos" and "princes of wars." Tarek said that the basic feeling in Gaza is one of hopelessness and that Hamas capitalizes on the general despair of the population. For Gazans, Maamon stressed, the world has shrunk to the roughly 25 mile stretch from Erez to Rafah. "If one has no hope," he said, "he seeks God, which in Gaza means the mosque. After five visits to the mosque, Hamas will find him and offer him two hundred dollars." He strongly criticized the IDF attacks on the Gaza police forces

at the beginning of Operation Cast Lead in December 2008. "What do these police know about Hamas? All they know is 900 shekels a month. They don't know anything about Hamas." At the same time, many Gazans have come to resent those PA employees who continue to receive a salary from Ramallah while remaining at home. Tarek suggested that this resentment undermines appreciation for the continued PA salary, utility, and medical payments made to support Gaza's residents, and which keep Gaza's economy alive.

¶4. (C) Maamon credited Hamas with establishing security in Gaza. He said, "the last year of Fatah rule was lost" due to the corruption and chaos that pervaded Gaza. He noted that prior to June 2007, he was forced to transport cash from his business to the bank - less than one kilometer - in armored cars with multiple Kalashnikov-armed guards. Now, he said, he sends a single employee on foot to carry the money to the bank. The principal security threats that Gazans face now, according to Tarek, are Israeli attacks, ninety percent of which target urban areas and generate a pervasive sense of unease.

¶5. (C) Mahmoud was less sanguine about Hamas rule, citing examples of political interference in his businesses. Mahmoud said that when he spoke out against Hamas's regulation of fuel prices, Hamas shut down his gas stations for 18 days, causing considerable financial losses. Mahmoud also reported that the Hamas de facto authorities have not renewed licenses for any gas station in the Petroleum and Gas Station Owners' Association for the last three years -- despite that the Khozendar stations have had licenses since ¶1990. Two of the 14 gas stations in the Gaza Strip are run

JERUSALEM 00002333 002.3 OF 003

by Hamas members, who also have not received licenses.

Support the Private Sector

¶6. (C) These three business leaders emphasized that the most effective assistance to Gaza would be in the form of increased private sector employment. According to the businessmen, the current closure regime and dependence on the tunnel economy is severely damaging the private sector. To underscore the point, Maamon said that he requested that the Hamas government begin collecting customs and taxes on products imported through the tunnels so that legitimate companies could compete. "The goods from the tunnels are driving local companies out of business," he said. Note: The tax system on the tunnels, if any, remains unclear. Some contacts in Gaza reported that Hamas taxes the tunnels by issuing permits, or through alternative mechanisms; however, Hamas officials have publicly declined to tax the tunnel operators, despite inquiries and demands from the public. With Israel's closure policy in place, there appears to be few legitimate goods to compete with those imported through the tunnels. End note.

¶7. (C) Maamon said that "each of the 1,200 tunnels" between Gaza and Egypt is connected to Hamas, with either a Hamas partner or employee, to keep "eyes" on tunnel activity. Mohammed reported that "56 tunnels" are dedicated to the import of petrol. The Khozendar brothers also disputed the common claim that a new economic class emerged among the Rafah tunnel operators. While some tunnel operators have struck it rich and spend profligately, the social-economic structure in Gaza is not altered, they said.

Construction, Textiles and IT

¶8. (C) Maamon claimed that Gaza's labor force possesses a broad set of skills and experience in the construction sector, but that the generation of Gazans with experience is growing older, and there is no opportunity for the youth. He emphasized the damage done when Gaza was effectively severed

from the Israeli labor market in 2000 and the current lack of construction work in Gaza due to the restrictions on the entry of construction materials. While entry of materials would spark a construction boom in Gaza, he noted that an immediate solution to the unemployment problem would be to allow Gazans to exit to work in Algeria, Morocco, and Sudan. He said, "Tomorrow, I could send abroad a minimum of 100,000 Gazan workers in every branch of contracting." Mahmoud noted the benefits Gaza would reap from remittances, and added that Gaza possessed many PhDs, trained nurses, and physicians who could also work abroad. He stressed the importance of these workers to possess a broader world view than that confined to the Gaza Strip.

¶9. (C) According to Maamon, the textile sector in Gaza employed 49,000 workers before 2000. With Israeli materials, Gazan factories produced clothes that were sold in the U.S. market (e.g., Lee jeans). 5,000 small factories or workshops still stand in Gaza, though only a fraction remains open to meet local demand. Maamon said that a revived textile industry would be globally competitive (especially with the low wages in Gaza), could generate approximately 50,000 jobs; and would spawn a service sector around the textile industry that could employ tens of thousands of people.

¶10. (C) Tarek pointed out that software development was a venture well suited to the limitations of the situation in Gaza: it is an export not required to pass through tunnels or crossings, demands little start-up capital, and relies on few (physical) inputs. Tarek's company, Altario, produces software solutions and animation for several companies in the Gulf, and Tarek said that five or six other Gaza-based software and HR solution companies have clients in Europe and the Middle East. Tarek urged U.S. support for initiatives that would help match Gazan companies with potential customers overseas.

Hamas Investments

¶11. (C) Among the businesses in which Hamas has invested, the three said the most notable is its purchases of property

JERUSALEM 00002333 003 OF 003

-- particularly prime real estate in Gaza City and on the coast. Real estate properties are often turned over three to four times among various Hamas members in order to launder money as well as legitimize the purchases, according to Maamon. Hamas has paid up to USD three million for one dunum in Gaza and JD five million for the Commodore Hotel.

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